ANNEXURE 4

Mogale City
Local Municipality

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APPROVED UNCLAIMED MONIES POLICY

2020-2021

TABLE OF CONTENTS

1. DEFINITIONS 2
2. INTRODUCTION 3
3. OBJECTIVES OF THE POLICY 3
4. BACKGROUND 4
5. LEGISLATIVE FRAMEWORK 4
6. IDENTIFICATION OF UNCLAIMED MONIES 5
7. REGISTER OF UNCLAIMED MONIES 5
8. UNCLAIMED MONEY TO BE RECOGNISED AS MUNICIPAL SUNDRY REVENUE 6
9. REVIEW 6

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1. DEFINITIONS

''Council'' means a municipal council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

''Creditor'' means a person to whom money is owed to by the municipality.

''Customer'' means any person comprising:

(a) resident of the municipality;
(b) debtor account holder in the municipality;
(c) any civic organization involved in the municipality; and/or
(d) any visitor or other people who make use of services or facilities provided by the municipality.

''Primary bank account'' means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

''Register'' means the official register kept to receipt all unclaimed deposits.

''Municipality'' means the Mogale City Local Municipality established in terms of section 155 of the Constitution

''**Unclaimed monies''** 'means:

a) Unclaimed/Unknown/Unidentifiable deposits into the municipal bank accounts
b) Unclaimed retention on projects
c) Unclaimed deposits for facilities and building/kerb deposits
d) Unclaimed surplus cash received by municipal cashiers
e) Unclaimed credit balances on inactive debtor accounts (consumer and sundry)

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2. INTRODUCTION

Mogale City Local Municipality receives money from various depositors for various reasons on a daily basis. Consumers, individuals or businesses have the option to pay for municipal services or other services rendered by the Municipality by way of an electronic transfer or deposit at the bank. Provided that such payments are correctly referenced, the municipality is able to automatically allocate the payments into the relevant client's account.

Throughout the years, however, the Municipality received various deposits that reflect on the bank statements with either the incorrect reference numbers or the reference number is not sufficient to identify the person who made the deposit. These deposits can only be receipted against a debtors account only when proof of the deposit can be furnished to the Revenue Division by the person that made the deposit.

Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

2.1 Monies deposited into the municipal bank accounts without any reference, or invalid references.
2.2 Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
2.3 Creditors/consumers are unaware of their legal right to the monies.
2.4 Cannot be identified and allocated to an account or vote.
2.5 Deposits paid for utilization of facilities not claimed by customer
1.6 Retentions withheld from contractors which are not claimed
1.7 Cash received by cashiers in excess of their recorded cash for the day and is considered to be a surplus
1.8 Credit balances on inactive consumer or sundry debtor accounts arising from receipts or any other transactions which are not claimed.

3. OBJECTIVES OF THE POLICY

The objectives of the policy are to:

3.1 To provide a framework on how to deal with unknown or unclaimed monies in the municipal bank account.
3.2 To reduce the liability of the municipality.

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3.3 To provide guidelines to identify unidentified deposits in the municipal bank account.
3.4 To provide guidance on accounting treatment of long unclaimed funds

4. BACKGROUND

Mogale City Local Municipality receives payments with respect to levies for property rates and various other municipal services. In addition, the municipality receives various grants from national and provincial government. The municipality also retains a percentage of the value of construction and similar projects as retention.

4.1 Ratepayers and consumers

Payments are made at the cashiers, by electronic transfer or over the counter deposits at banks, the Post Office or supermarkets.

When payments are made certain, payers do not provide sufficient documentation or in the case of deposits/transfers the correct reference (eg consumer account number). As a result, the municipality has difficulty in allocating those payments/deposits to the correct vote and in the case of consumer accounts and similar the correct consumer account in the debtors system.

4.2 Retentions

Another aspect requiring inclusion in this policy are retention monies withheld in terms of the contracts pertaining to construction and similar projects. The need to include retentions in this policy is the fact that they are often accumulated for various reasons, mainly:

- the failure of project managers to inform finance that the projects have been completed and that the retention should be paid;
- project managers failing to inform finance that retentions should be forfeited due to poor quality work and,
- incorrect accounting whereby retentions are paid out but debited direct to a project vote thereby inflating the project cost by the retention amount.

5. LEGISLATIVE FRAMEWORK

- Local Government Municipal Finance Act, Act 56 of 2003.
- Prescription Act 68 of 1969.
- Municipal Systems Act 32 of 2000.
- Generally Recognised Accounting Practice

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6. IDENTIFICATION OF UNCLAIMED MONIES

6.1 An unclaimed direct or sundry deposit is any amount of money legally paid into the municipal bank account without any reference or documentary proof on how the monies should be allocated and that remains unclaimed for a period of five (5) years.

6.2 Unclaimed monies are any amounts of money legally payable to a creditor and that have not been claimed or banked within a period of five (5) years after the date on which they became due.

6.3 An unclaimed receipt is any amount of money legally paid by a customer as a deposit for the use of municipal facilities which has not been claimed within a period of five (5) years after the date of use of the facilities.

6.4 An unclaimed receipt is any amount paid as a building or kerb deposit during construction related activities, which has not been claimed after five (5) years subsequent to the receipt of the deposit.

6.5 An unclaimed receipt is any surplus cash received by a cashier in excess of their receipted cash which has not been claimed five (5) years after receipt.

6.6 Credit balances on inactive consumer or sundry debtor accounts arising from receipts or any other transactions which are not claimed after five (5) years after the credit balance became due to the account holder.

7. REGISTER OF UNCLAIMED MONIES

7.1 After all the standard operating procedures to identify and process the unallocated monies have been exhausted and the period as mentioned in paragraph 6 has expired, all unclaimed and/or unallocated monies will be recorded in a unclaimed monies register to be kept by the Finance Department: Budget and Treasury Division.

7.2 The register will be maintained and updated regularly and be kept for a period of five (5) years.

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7.3 After the unclaimed and/or unallocated monies have been recorded in the register the rightful owner thereof can claim the monies within a period of five (5) years from the date the monies were deposited or became unclaimed subject to adequate documentary proof of claim being provided by the claimant of the monies.

7.4 The total value of unclaimed monies and/or unallocated direct deposits per register will be recognized as a liability in the financial statements of the municipality.

8. UNCLAIMED MONEY TO BE RECOGNISED AS MUNICIPAL SUNDRY REVENUE

8.1 Should unclaimed monies not be claimed within the period of five (5) years, the monies will be written off from the register and be recognised as Municipal sundry revenue in that financial year.

8.2 The following process must be followed before any unclaimed monies are recognised as municipal sundry revenue:

(a) the register will be advertised in the media in terms of section 21A of the Municipal Systems Act, 32 of 2000 that it will lie open for public inspection;

(b) such register must lie open for inspection for a further period of four (4) months;

(c) the register will be made available for inspection at the main municipal buildings;

(d) the prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor; and

(e) after the four (4) months period a report will be submitted to Council on the unclaimed monies to be written off from the register for approval.

9. REVIEW

This policy will be effective from date of adoption by Council and will thereafter be reviewed annually to ensure that it complies with changes in applicable legislation, reporting framework and the operating requirements of the municipality.

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